

KENTUCKY ECONOMIC INDICATORS

April Indicators as of June 30, 2003

KY Composite Index of Leading Indicators decreased by 4.2 percent for April.

- The Leading Index decreased for the third consecutive month.
- Year over year growth decreased slightly 0.6 percent.
- Component indicators leaned negative as losers top gainers 4:1.
 - ✓ The Conference Board's US Leading Index increased by 1.1 percent.
 - ✓ KY Labor Intensity Index decreased 0.5 percent.
 - ✓ The Index of KY Initial Claims fell 5.3 percent.
 - ✓ Louisville HWI dropped by 8 points to 50.
 - ✓ Retail Sales declined 3.6 percent.

KY Composite Index of Coincident Indicators decreased 3.5 percent for April.

- The Coincident Index declined for the third consecutive month.
- Year over year growth was negative for the first time in nine months 0.1 percent.
- Component indicators were mixed with losers edging gainers 2:1.
 - ✓ KY Total Nonagricultural Employment fell by 6.4 percent.
 - ✓ US Personal Income Less Transfers grew 2.4 percent.
 - ✓ US Industrial Production decreased by 6.9 percent.

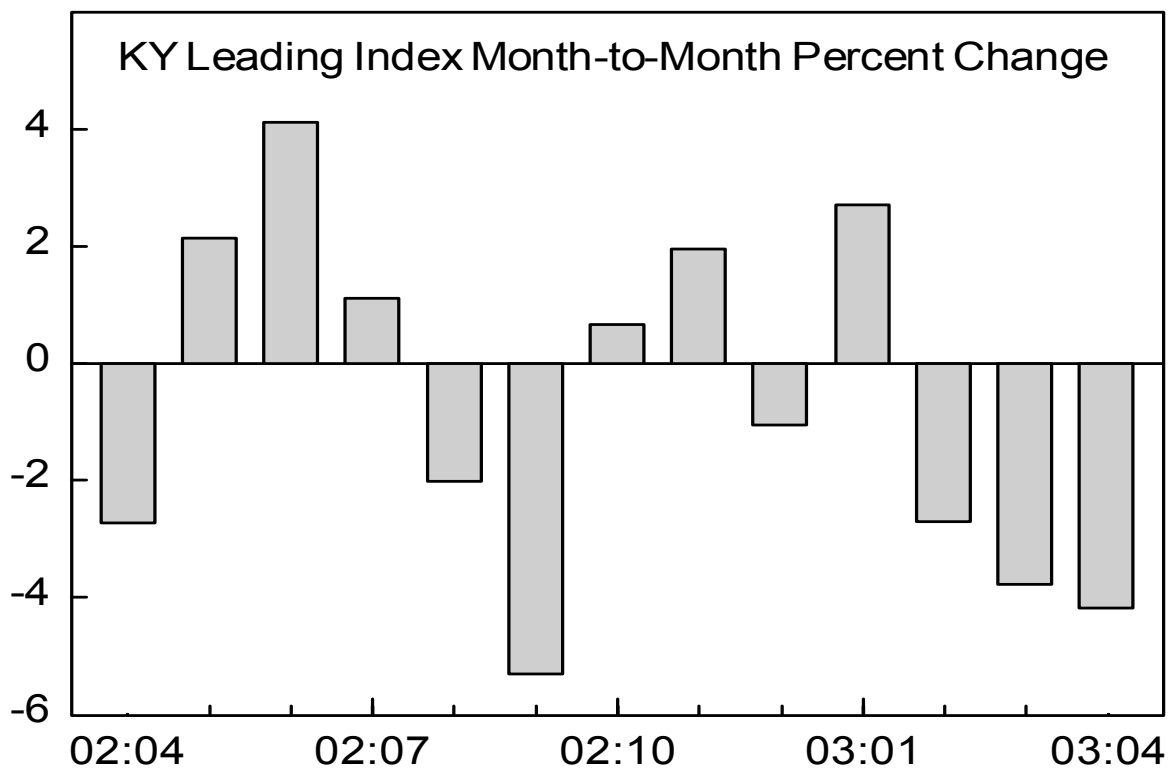
The Kentucky Leading Index fell for the third consecutive month. The Initial Claims Index and Retail Sales had the most impact this month. While the KY Labor Intensity Index carries the most weight in the Index, it made only a marginal impact. Retail Sales have fluctuated wildly over the past year, indicating a general confusion among consumers regarding long run spending. Despite marginal gains in the US Leading Index, Kentucky appears to be facing a postponed recovery or even a second downturn. It is doubtful that any possible revision next month to underlying data for April will alter the sign or general condition of the series. In any case, it is unlikely that recovery will occur in the next six months.

The Kentucky Labor Intensity Index, which is the product of employment and average weekly hours for five of largest manufacturing sectors in Kentucky, declined only marginally for April, but it is down from 106.78, or 2.48 percent, since the contraction started in March 2001. Average weekly hours has been flat or slightly increasing since March 2001; the employment side was responsible for all of the losses during that period.

All employment-based indicators are negative for April. Kentucky Nonagricultural Employment experienced its largest decline since January of 1991. Seventeen of the last 26 months have been negative since the recession began in March 2001. The Kentucky Unemployment Rate has inched up to 5.8 percent from January to April, approaching near its 2001 recession peak of 5.9 percent. Kentucky Initial Claims growth has been exceptionally low for four of the last five months, reaching its lowest point since October 2001.

The US Consumer Sentiment Index tells a slightly different story. Consumer Sentiment soared in April gaining 378 percent (seasonally adjusted annualized rate). The increase is a little misleading, as the Index is still down considerably from a year ago, almost 10 points off its April 2002 level. Despite the April surge, January through March 2003 were strongly negative indicating that the general feeling about the near future is still less than optimistic.

Our indices are compiled and published on a monthly basis, roughly two weeks following the Conference Board release of the U.S. Leading Index. A complete article on the indicators was published in the University of Kentucky's *Kentucky Annual Economic Report, 2000*.



About the Indicators

Kentucky Reference Series

Inflation-adjusted personal income less transfer payments and policy-adjusted general fund tax receipts are combined to form the GOEA composite reference series.

Kentucky Leading Indicators

- ◆ **GOEA Labor Intensity Index:** Composed of seasonally adjusted weekly hours multiplied by employment for the following manufacturing industries: Lumber products, chemical and allied products, rubber and plastic products, fabricated metals, and transportation equipment.
- ◆ **GOEA Initial Unemployment Insurance (UI) Claims Index:** This index has two components: Kentucky UI claims in their first month of payment and total U.S. initial claims. Additional claims for UI are the subset of initial claims filed by workers who have previously filed UI claims but are currently filing new claims with intermittent workforce attachment since their original claim. The claims in their first month of payment without intermittent qualified experience performed better in the testing process and were chosen accordingly.
- ◆ **Louisville Help-wanted Index:** The Conference Board computes an index of help-wanted advertisements for major regions across the United States; Louisville is the only city in Kentucky covered by the Conference Board.
- ◆ **U.S. Manufacturing and Trade Sales:** This series outperformed Kentucky sales tax receipts and U.S. total retail sales. Current manufacturing and trade sales help form the basis for business expectations for the immediate short run. Since production and investment do not occur instantaneously, the formation of expectations (manifested through current manufacturing and trade sales) should slightly lead the business cycle.
- ◆ **GOEA U.S. Leading Index:** We eliminated two variables, UI Claims and weekly hours, from the U.S. leading index since we already use the Kentucky equivalents. The remaining eight components of the U.S. leading index were tested, eliminating both the interest rate spread and the slower deliveries diffusion index of vendor performance. The remaining six components were then re-indexed by GOEA.

Table Notes:

- 1) Growth rates are computed with precise numbers. Due to rounding, two observations may have the same reported value but still exhibit growth at a more precise level.
- 2) More information is available on our website, www.osbd.state.ky.us.

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**SELECTED KENTUCKY ECONOMIC INDICATORS
SEASONALLY ADJUSTED**

	2002												2003			
	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC	JAN	FEB	MAR	APR	MAY	JUN	JUL
KY Leading Index (1992=100)	110.4	110.6	111.0	111.1	110.9	110.4	110.4	110.6	110.5	110.7	110.5	110.1	109.7			
% Chg Previous Month SAAR	-2.7	2.1	4.1	1.1	-2.0	-5.3	0.7	1.9	-1.1	2.7	-2.7	-3.8	-4.2			
% Chg Same Month Last Year	-0.6	-0.6	-0.1	0.1	0.2	0.5	0.4	0.6	0.3	0.3	0.0	-0.4	-0.6			
KY Coincident Index (1992=100)	126.9	127.1	127.5	127.5	127.4	127.4	127.2	127.4	127.1	127.7	127.4	127.2	126.8			
% Chg Previous Month SAAR	0.2	2.3	3.4	-0.3	-0.3	-0.1	-1.7	1.6	-3.2	6.0	-2.3	-2.4	-3.5			
% Chg Same Month Last Year	-1.2	-0.6	-0.2	-0.1	0.0	0.2	0.5	0.8	0.6	0.8	0.6	0.2	-0.1			
KY Nonag Employment (000s)	1787.2	1785.8	1785.5	1783.3	1785.2	1785.5	1785.5	1786.4	1781.9	1794.1	1787.2	1785.2	1775.4			
% Chg Previous Month SAAR	-1.0	-0.9	-0.2	-1.5	1.3	0.2	0.0	0.6	-3.0	8.5	-4.5	-1.3	-6.4			
% Chg Same Month Last Year	-1.3	-1.1	-1.3	-1.0	-0.9	-0.5	-0.3	-0.2	-0.2	0.1	0.1	-0.2	-0.7			
KY Mfg Employment (000s)	277.8	276.4	275.7	274.8	274.4	272.9	273.5	272.9	272.5	273.1	272.9	272.5	269.7			
% Chg Previous Month SAAR	-3.6	-5.9	-3.0	-4.2	-1.8	-6.3	2.7	-2.5	-1.6	2.4	-0.8	-1.8	-11.5			
% Chg Same Month Last Year	-6.5	-6.4	-6.0	-5.2	-4.7	-4.5	-3.7	-3.4	-3.2	-2.5	-2.3	-2.2	-2.9			
KY Unemployment Rate (%)	5.7	5.7	5.6	5.5	5.5	5.4	5.4	5.5	5.5	5.3	5.7	5.7	5.8			
KY Index of Initial UI Claims	98.9	99.7	100.3	100.7	100.5	99.3	99.8	100.6	98.8	100.3	99.7	98.8	98.4			
% Chg Previous Month SAAR	-8.1	10.4	7.1	5.2	-1.9	-13.1	5.3	10.2	-19.7	20.9	-6.8	-10.8	-5.3			
% Chg Same Month Last Year	-1.0	0.4	0.7	0.9	1.0	0.9	3.0	2.6	-0.6	0.3	-0.7	-0.8	-0.5			
KY Labor Intensity Index (1992=100)	105.2	105.1	105.1	105.4	105.2	105.3	105.2	105.0	105.3	105.1	104.9	104.2	104.2			
% Chg Previous Month SAAR	-1.8	-1.4	1.0	2.8	-1.9	0.6	-0.3	-2.6	3.2	-2.5	-1.4	-7.8	-0.5			
% Chg Same Month Last Year	-1.0	-1.3	-1.2	-0.7	-0.8	-0.4	-0.2	-0.3	-0.1	-0.2	-0.3	-1.1	-1.0			
Louisville HWI (1992=100)	61.0	66.0	71.0	64.0	60.0	58.0	58.0	57.0	53.0	55.0	60.0	58.0	50.0			
% Chg Previous Month SAAR	-67.6	157.4	140.2	-71.2	-53.9	-33.4	0.0	-18.8	-58.2	56.0	184.1	-33.4	-83.2			
% Chg Same Month Last Year	-39.0	-34.7	-20.2	-24.7	-21.1	-20.5	-10.8	-9.5	-8.6	-8.3	0.0	-13.4	-18.0			
G.F. Total Receipts (\$ mill)	699.8	429.9	608.0	435.5	488.5	655.5	570.8	527.2	642.1	635.4	419.7	438.0	696.4			
% Chg Same Month Last Year	0.2	-10.8	0.9	-3.2	12.9	6.1	13.0	1.3	5.4	14.4	-3.1	1.8	-0.5			
G.F. Sales & Use Receipts (\$ mill)	199.4	189.6	191.5	201.7	231.2	201.2	217.5	189.0	192.5	233.3	150.6	165.6	199.7			
% Chg Same Month Last Year	3.2	3.8	1.9	-1.2	25.7	6.1	10.7	-0.7	-1.2	-1.2	-3.6	-1.3	0.1			
G.F. Income Tax Receipts (\$ mill)	376.3	155.4	271.9	187.6	203.9	279.0	237.7	217.1	227.9	290.9	204.7	117.0	354.4			
% Chg Same Month Last Year	0.5	-26.2	-1.5	-2.9	0.7	-2.9	10.2	4.0	-3.2	28.9	-3.7	-0.6	-5.8			

**SELECTED U.S. ECONOMIC INDICATORS
SEASONALLY ADJUSTED**

	2002												2003			
	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC	JAN	FEB	MAR	APR	MAY	JUN	JUL
US Leading Index (1982=100)	110.8	111.4	111.2	111.0	110.9	110.4	110.4	111.0	111.2	111.2	110.6	110.4	110.5			
% Chg Previous Month SAAR	-2.1	6.7	-2.1	-2.1	-1.1	-5.3	0.0	6.7	2.2	0.0	-6.3	-2.1	1.1			
% Chg Same Month Last Year	2.7	2.6	2.3	1.8	1.8	2.2	1.8	1.6	0.6	0.2	-0.4	-0.5	-0.3			
US Coincident Index (1992=100)	114.7	114.8	115.1	115.3	115.3	115.2	115.2	115.3	115.2	115.5	115.1	115.1	115.1			
% Chg Previous Month SAAR	2.1	1.1	3.2	2.1	0.0	-1.0	0.0	1.0	-1.0	3.2	-4.1	0.0	0.0			
% Chg Same Month Last Year	-0.7	-0.5	0.0	0.1	0.1	0.4	0.4	0.9	0.7	0.8	0.6	0.5	0.3			
US Nonag Employment (Mil)	130.4	130.4	130.4	130.2	130.2	130.3	130.4	130.4	130.2	130.4	130.2	130.1	130.1			
% Chg Previous Month SAAR	-0.6	0.0	-0.3	-1.6	0.2	0.6	1.1	0.0	-1.9	1.5	-1.1	-1.4	0.0			
% Chg Same Month Last Year	-1.4	-1.4	-1.3	-1.3	-1.1	-1.0	-0.6	-0.4	-0.4	-0.2	-0.2	-0.3	-0.3			
US Unemployment Rate (%)	5.9	5.8	5.8	5.8	5.8	5.7	5.8	5.9	6.0	5.7	5.8	5.8	6.0			
US Initial Claims for UI (000s)	432.5	408.1	392.1	386.8	397.8	416.9	410.6	389.0	410.5	386.7	408.6	423.3	447.2			
% Chg Previous Month SAAR	42.2	-50.2	-38.1	-15.1	40.0	75.6	-16.7	-47.7	90.7	-51.2	93.7	52.8	93.3			
% Chg Same Month Last Year	8.3	0.9	-1.3	-2.6	-0.6	-7.1	-15.5	-14.2	2.0	-3.6	5.0	0.8	3.4			
Industrial Production Index	110.1	110.4	110.8	111.6	111.3	111.2	110.6	110.8	109.9	110.7	110.7	110.1	109.4			
% Chg Previous Month SAAR	5.3	3.7	4.1	8.5	-2.9	-0.7	-6.9	2.4	-9.4	8.9	0.7	-6.7	-6.9			
% Chg Same Month Last Year	-2.2	-1.3	-0.3	0.5	0.6	1.2	1.0	1.8	1.4	1.6	1.4	0.4	-0.6			
US Personal Inc. Less Trans. (Bil 92\$)	6846.9	6877.2	6922.4	6876.9	6879.2	6881.0	6888.2	6902.6	6914.4	6929.5	6908.4	6909.4	6923.3			
% Chg Previous Month SAAR	-3.3	5.4	8.2	-7.6	0.4	0.3	1.3	2.5	2.1	2.7	-3.6	0.2	2.4			
% Chg Same Month Last Year	-0.4	0.4	1.1	0.3	0.4	0.0	1.2	1.3	0.9	1.2	0.7	0.6	1.1			
CPI, All Urban (1982-84=100)	179.3	179.5	179.8	180.1	180.5	180.9	181.2	181.4	181.6	182.2	183.3	183.9	183.3			
% Chg Previous Month SAAR	5.5	1.3	2.0	2.0	2.7	2.7	2.0	1.3	1.3	4.0	7.5	4.0	-3.8			
% Chg Same Month Last Year	1.6	1.2	1.1	1.5	1.7	1.6	2.0	2.3	2.4	2.6	3.0	3.0	2.2			
Retail Sales (Bil. 84\$)	297.8	293.8	297.7	302.4	304.3	299.2	299.5	301.7	305.8	307.0	302.7	309.6	308.6			
% Chg Previous Month SAAR	18.8	-15.0	17.1	20.5	7.9	-18.2	1.0	9.4	17.6	4.9	-15.6	30.7	-3.6			
% Chg Same Month Last Year	3.8	1.7	3.4	4.9	5.1	5.2	-0.8	2.7	4.3	5.0	3.0	5.4	3.6			
Manufacturing & Trade Sales (000s)	857.0	856.2	859.3	868.4	867.4	859.0	861.4	867.3	870.7	875.3	857.7	868.9	*871.2			
% Chg Previous Month SAAR	12.4	-1.2	4.5	13.5	-1.4	-11.0	3.4	8.5	4.8	6.6	-21.7	16.9	3.2			
% Chg Same Month Last Year	2.5	1.7	3.1	3.2	2.6	4.6	1.4	2.5	2.5	2.1	1.0	2.4	1.7			
US Consumer Sentiment (1966=100)	89.1	92.7	87.9	81.0	80.6	79.9	73.1	78.5	80.8	72.8	69.9	69.6	79.3			
% Chg Previous Month AR	-37.8	60.9	-47.2	-62.5	-5.8	-9.9	-65.6	135.2	41.4	-71.4	-38.6	-5.0	378.6			
% Chg Same Month Last Year	8.4	8.5	1.2	-8.4	-5.4	8.7	-3.2	2.5	-1.8	-20.3	-19.8	-24.9	-11.0			
Bank Prime Interest Rate (%)	4.75	4.75	4.75	4.75	4.75	4.75	4.75	4.35	4.25	4.25	4.25	4.25	4.25			
* ARIMA estimation																